

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MARKET-DOMINANT PRICE CHANGE

Docket No. R2021-2

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 1 AND 5-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**

(June 10, 2021)

The Postal Service hereby responds to Question 1 and Questions 5 through 8 of Chairman's Information Request No. 1, issued on June 3, 2021. Each question is stated verbatim and is followed by the response. Responses to Questions 2 through 4 are forthcoming.

Respectfully submitted,  
UNITED STATES POSTAL SERVICE

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June 10, 2021

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**USPS Marketing Mail**

1. Please refer to Table 12 on page 16 of the Notice.
  - a. Please confirm the dollar amounts from the column entitled "Previous Discount (000)" do not match the discounts approved in Docket No. R2021-1. If not confirmed, please explain.
  - b. Please provide supporting workpapers showing the calculations used to derive Table 12.

**RESPONSE:**

- a. Confirmed. The dollar amounts will not match. The nature of the calculations of these dropship passthroughs requires the use of updated volumes. That is, calculating these workshare discounts and percentage passthroughs is different than calculating workshare discounts and percentage passthroughs for most other products. In most other cases, the Postal Service can simply subtract the unit discount from the published, or benchmark, price given on the relevant pricing table, e.g. Notice 123, and divide by the avoided cost. For combined per-piece and per-pound prices, this approach does not work because the benchmark price varies depending on weight. Put slightly differently, the Postal Service can only calculate workshare discounts and percentage passthroughs on a weighted basis *after* mailing, usually at the end of the year, when the weights and numbers of pieces sent are known. Here, the per-piece and per-pound discounts match the R2021-1 Attachment B, but the starting point passthrough

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dollar amounts are different because volumes are updated to match the hybrid year in the filing and avoided costs are updated to match the latest ACD.

- b. Please see the attached workbook ChIR1.Q1.R2021-2.xlsx. The first tab 'R2021-1 Dropship' replicates the Attachment B filing in Docket No. R2021-1. The second tab 'Volume Updated', updates the volumes to match the Attachment B volumes in the current price change docket. The third tab 'Cost Avoidance Updated' updates the cost avoidances to match ACR 2020, Folder 3. The second to last tab 'Discount Updated' updates the per-piece and per-pound discounts to match the R2021-2 filing. The last tab 'Table 12' is linked to the previous tabs and matches the Table 12 filed in the Notice.

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**Periodicals**

2. In Excel file "Attachment B R2021-2.xlsx," tab "Passthrough Outside County," cell "M29" is empty, resulting in no passthrough in cell "O29." Please explain why the workshare discount for Nonmachinable Automation MADC Flats was not brought into compliance with 39 C.F.R. § 3030.284, either by ensuring that the passthrough ratio is at least 85 percent or by raising the discount by at least 20 percent.

**RESPONSE:**

The response for Question 2 is forthcoming.

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3. In Excel file "Attachment B R2021-2.xlsx," tab "Passthrough Outside County," cell "N33" is empty, resulting in a passthrough of 0.0 percent in cell "O33." Please explain why the workshare discount for 3-Digit Automation Letters was not brought into compliance with 39 C.F.R. § 3030.284, either by ensuring that the passthrough ratio is at least 85 percent or by raising the discount by at least 20 percent.

**RESPONSE:**

The response for Question 3 is forthcoming.

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4. For Periodicals Within County, each DDU entered piece receives a workshare discount of \$0.008. See Notice, Attachment A at 91. In Excel file "Attachment B R2021-2.xlsx," tab "Passthroughs\_WC," cell "G22" is empty, resulting in a passthrough of 0.0 percent in cell "I22." Please explain why the workshare discount was not brought into compliance with 39 C.F.R. § 3030.284, either by ensuring that the passthrough ratio is at least 85 percent or by raising the discount by at least 20 percent.

**RESPONSE:**

The response for Question 4 is forthcoming.

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5. In Excel file "Attachment B R2021-2.xlsx," tab "Per. Bundle-Container Pricing," cell "B91," the Postal Service states that "[d]ue to unavailability of Tray Costs, Sack Costs are used as proxies for Tray Costs." In a CHIR response in Docket No. R2021-1,3 the Postal Service stated "[d]espite the appropriateness of proxy treatment, the Postal Service intends to develop separate bottom-up costs for trays in FY2021." Please provide an update on the status of developing separate bottom-up costs for trays.

**RESPONSE:**

A version of the FY 2020 Periodicals model that has been expanded to include separate bottom-up costs for trays is electronically attached to this response.

Changed tabs are highlighted, including the Summary tab, as well as five new tabs added at the end.

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**Package Services**

6. Please refer to the Notice and Library Reference USPS-LR-R2021-2/4 – Package Services Workpapers, May 28, 2021, Excel file “CAPCALC-PACKSERV-R2021-2” (Package Services CAPCALC file).
  - a. Please reconcile Table 4 on page 5 of the Notice, which states that the Package Services price increase is 8.806 percent, with Package Services CAPCALC file, tab “All Package Services Summary,” cell F23, which states that the price increase is 8.804 percent.
  - b. Please reconcile Table 5 on page 5 of the Notice, which states that the unused price authority after the planned price change for Package Services is 0.006 percent, with Package Services CAPCALC file, tab “All Package Services Summary,” cell D40, which states that the remaining price authority is 0.008 percent.

**RESPONSE:**

- a. The CAPCALC file has the correct price increase percentage for Package Services. Accordingly, the price increase is 8.804 percent.
- b. The CAPCALC file correctly reflects the remaining price authority for Package Services. Thus, the remaining price authority is 0.008 percent.



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**Compliance with 39 C.F.R. Part 3030**

7. 39 C.F.R § 3030.122(h) requires a certification from the Postal Service that “all cost, avoided cost, volume, and revenue figures submitted with the rate adjustment filing are developed from the most recent applicable Commission accepted analytical principles.” 39 C.F.R § 3030.122(h).
- a. Please confirm that all cost, avoided cost, volume, and revenue figures submitted with the rate adjustment filing were developed using the most recent applicable Commission accepted analytical principles. If confirmed, please provide the certification required by 39 C.F.R. § 3030.122(h).
  - b. If part a. is not confirmed, please provide a detailed explanation for any cost, avoided cost, volume, or revenue figure that was not developed using the most recent applicable Commission accepted analytical principles.

**RESPONSE:**

- a. The Postal Service hereby confirms and certifies that all cost, avoided cost, volume, and revenue figures submitted with the rate adjustment filing were developed using the most recent applicable Commission accepted principles.
- b. Not applicable.

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8. 39 C.F.R. § 3030.123(c) requires that the Postal Service provide the banked rate adjustment authority, by class, that was available “for each of the preceding 5 years as required by subpart H [of 39 C.F.R. part 3030].” 39 C.F.R. § 3030.123(c). Please provide this information.

**RESPONSE:**

The banked rate adjustment authority for each of the preceding 5 years is listed below, as separated by class.<sup>1</sup>

**First-Class Mail**

Docket No.	Initial Banked Rate Adjustment Authority (%)	Banked Rate Adjustment Authority Used (%)	Resulting Banked Rate Adjustment Authority (%)
R2017-1 <sup>2</sup>	0.382	0.356	0.024
R2017-7	0.024	1.542	1.566
R2018-1	1.566	1.488	0.078
R2019-1	0.078	0.045	0.033
R2020-1	0.033	-0.352	0.385
R2021-1	0.385	0.373	0.012

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<sup>1</sup> Banked rate adjustment authority for each class has been extracted from the workpapers filed by the Postal Service along with each price case. Docket No. R2017-1 data is from USPS-LR-R2017-1/1-5. Docket No. R2017-7 data is from USPS-LR-R2017-7/1-3. Docket No. R2018-1 data is from USPS-LR-R2018-1/1-5. Docket No. R2019-1 data is from USPS-LR-R2019-1/1-5. Docket No. R2020-1 sources include Order Nos. 5373 and 5321. Docket No. R2020-2 data is from USPS-LR-R2020-2/1. Docket No. R2021-1 data is from USPS-LR-R2021-1/1-5.

<sup>2</sup> The Resulting Banked Rate Adjustment Authority is not equal to the difference between the Initial Banked Rate Adjustment Authority and the Banked Rate Adjustment Authority Used due to a CPI revision adjustment factor of -0.002%.

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Docket No.	Initial Banked Rate Adjustment Authority (%)	Banked Rate Adjustment Authority Used (%)	Resulting Banked Rate Adjustment Authority (%)
R2017-1 <sup>3</sup>	0.507	0.478	0.027
R2017-7	0.027	-1.542	1.569
R2018-1	1.569	1.497	0.072
R2019-1	0.072	0.063	0.009
R2020-1	0.009	-0.040	0.049
R2020-2	0.009	-0.052	0.061
R2021-1	0.061	0.051	0.010

**Periodicals**

Docket No.	Initial Banked Rate Adjustment Authority (%)	Banked Rate Adjustment Authority Used (%)	Resulting Banked Rate Adjustment Authority (%)
R2017-1 <sup>4</sup>	0.000	-0.039	0.038
R2018-1	0.038	0.063	0.101

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<sup>3</sup> The Resulting Banked Rate Adjustment Authority is not equal to the difference between the Initial Banked Rate Adjustment Authority and the Banked Rate Adjustment Authority Used due to a CPI revision adjustment factor of -0.002%.

<sup>4</sup> The Resulting Banked Rate Adjustment Authority is not equal to the difference between the Initial Banked Rate Adjustment Authority and the Banked Rate Adjustment Authority Used due to a CPI revision adjustment factor of -0.001%.

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R2019-1	0.101	0.101	0.000
R2020-1	0.000	-0.002	0.002
R2021-1	0.002	0.000	0.002

**Package Services**

Docket No.	Initial Banked Rate Adjustment Authority (%)	Banked Rate Adjustment Authority Used (%)	Banked Rate Adjustment Authority (%)
R2017-1 <sup>5</sup>	0.179	0.102	0.076
R2018-1	0.076	-0.027	0.103
R2019-1	0.103	0.103	0.000
R2020-1	0.000	-0.008	0.008
R2021-1	0.008	0.002	0.006

**Special Services**

Docket No.	Initial Banked Rate Adjustment Authority (%)	Banked Rate Adjustment Authority Used (%)	Banked Rate Adjustment Authority (%)
R2017-1 <sup>6</sup>	1.711	1.643	0.067

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<sup>5</sup> The Resulting Banked Rate Adjustment Authority is not equal to the difference between the Initial Banked Rate Adjustment Authority and the Banked Rate Adjustment Authority Used due to a CPI revision adjustment factor of -0.001%.

<sup>6</sup> The Resulting Banked Rate Adjustment Authority is not equal to the difference between the Initial Banked Rate Adjustment Authority and the Banked Rate Adjustment Authority Used due to a CPI revision adjustment factor of -0.001%.

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R2017-7	0.067	-1.585	1.652
R2018-1	1.652	1.548	0.104
R2019-1	0.104	0.093	0.011
R2020-1	0.011	0.004	0.007
R2021-1	0.007	0.000	0.007